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TAGS: EFIN KCOR PREL PGOV EAID CM

SUBJECT: CAMEROON: HUNDREDS OF MILLIONS IN DEBT RELIEF HAVE HAD "NO IMPACT"

Classified By: Pol/Econ Officer Tad Brown for reasons 1.4 b and d.

¶11. (C) Summary. Seven years after the beginning of the Heavily Indebted Poor Countries (HIPC) debt relief process, the hundreds of millions of dollars specifically allocated for pro-poor development projects have had "no impact" according to the Cameroonian official charged with piloting the program. In a May 31 meeting with Emboffs, Permanent Secretary for the Committee for Consultation and the Tracking

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of HIPC funds Laurent Kouo Ngangue complained that high and low level corruption have perverted a system that was established to channel funds to worthy development projects. Earlier reports of malfeasance at the center of the HIPC process has disheartened us, but this is the first time we have heard such scathing criticisms from such a high level Government of Cameroon (GRC) official. If there is any silver lining to the oppressive cloud of corruption in Cameroon, it is that Ngangue and select others are still working to reform the system. End Summary.

HIPC Funds: The Good Money

¶12. (U) Responding to donor pressure and conditionalities to obtain the multibillion dollar debt relief offered through the HIPC process, Cameroon began tracking certain budget lines through a special committee called the Consultative Committee for the Management and Tracking of HIPC Funds (CCS-PPTE in the French acronym). The CCS-PPTE, comprising representatives from the GRC, major donors, and civil society, was established to ensure that PPTE funds were used for pro-poor priority sectors like the construction of schools and other infrastructure. Donors and other budget watchers praised the HIPC process and the CCS-PPTE for giving greater transparency into government spending and prioritizing pro-poor expenditures. Ambassadors represented on the CSS-PTTE include the French, German, Canadian, and Japanese, as well as the UNDP Resident Representative. They have been pushing hard for further audits and action as a pre-condition to even holding the group's next meeting.

We Knew Some of the Bad News

¶13. (U) Post had received some audits on FY2003 and 2004 HIPC projects, and Dynamique Citoyenne, an NGO consortium that has received U.S. Democracy and Human Rights funding,

had led well publicized verification missions that uncovered projects that had been funded but never completed or only partially completed. In addition, repeated budget analyses (especially by the IMF) indicated that the GRC was chronically under-spending (and sometimes under-funding) its HIPC accounts. Ministry-by-ministry tracking of HIPC funding revealed a disproportionate amount of funding went towards international travel, office furniture and four-wheel drive vehicles.

But Nothing Like This

¶4. (C) Laurent Kouo Ngangue, the Permanent Secretary of the CCS-PPTE, requested a May 31 meeting with Emboffs, explaining that he wanted to discuss Ambassador Marquardt's May 16 speech to Cameroon's leading business association citing the Cameroonian public's growing disillusionment with the HIPC fund process. Rather than defend his own agency, however, Ngangue applauded the Ambassador's strong words and launched into a condemnation of the manner in which hierarchical and corrupt politics in the GRC had perverted the HIPC process.

5, (C) To illustrate his point, Ngangue pointed to a HIPC-funded tobacco program run through the Ministry of Agriculture in Cameroon's Eastern Province. Mt. Cameroon Tobacco, an American investor in the sector, had contacted Ambassador Marquardt, relaying suspicions that most of the funds were being embezzled and complaining that those managing the project were actively undermining the substantial investments already made in the tobacco sector. When the Ambassador conveyed these concerns to Prime Minister Inoni, Ngangue was sent on a mission to investigate. Ngangue said he found that Mt. Cameroon's complaints were fully justified; the nominal implementers of the project had no experience in the tobacco sector and were simply passing out

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cash to curry political favor for their project. Additionally, substantial sums earmarked for the farmers were embezzled before even leaving Yaounde.

¶6. (C) Ngangue's January 2007 report to Minister of Economy and Finance Polycarpe Abah Abah recommended an immediate hold be placed on all PPTE funds going to the project until an audit could be conducted. Ngangue says he has yet to receive a response from Abah Abah's office but that, immediately after submitting the report, he began receiving threatening phone calls demanding that he drop his investigation. When Ngangue reported these threats to the police, an officer instructed him to inform Minister Delegate Charged with the Budget Essimi Menye and not/not to inform Abah Abah. Ngangue explained that Abah Abah and Essimi Menye (who is generally considered to be extremely competent and clean in contrast to Abah Abah, who is generally considered to be highly competent and the most corrupt official in the current cabinet) have a barely disguised adversarial relationship.

¶7. (C) Ngangue went on to say that the tobacco program is simply the most blatant case he has discovered, that the CCS-PPTE structures have been completely corrupted by committee experts (who are supposed to judge programs but have instead set up private businesses through which they submit reconstituted projects) and high level officials. Ngangue beseeched the Embassy to continue its high profile and frank criticisms of broken GRC systems, saying that the system would degenerate even further if USG pressure was perceived to slacken.

Comment: Taking Solace in Cameroon's Own Reform Champions

¶8. (C) We were as disheartened by Ngangue's revelations as we were encouraged by his honest assessment and his efforts

to improve the system. If nothing else, we take solace in the knowledge that individuals like Ngangue and Essimi Menye continue to oppose the culture of corruption propagated by Abah Abah and his minions. We will continue to speak out against bad governance and to identify champions of reform whom we can support -- as well as await the long-promised reshuffle finally expelling Abah Abah from his powerful position. End comment.

MARQUARDT